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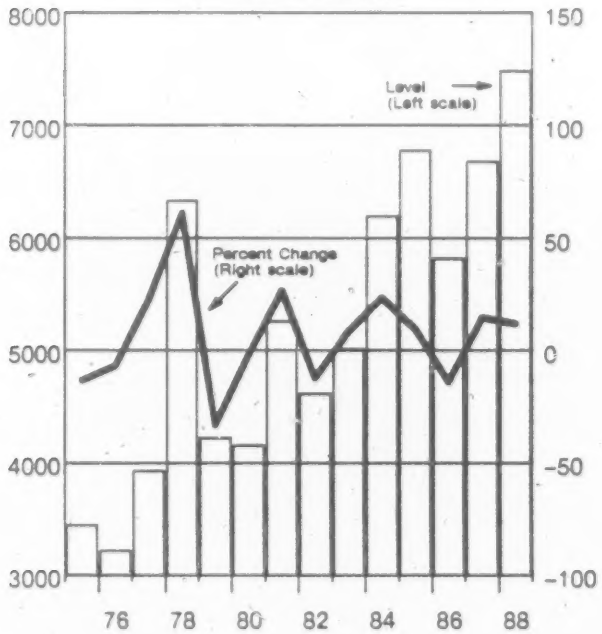
16th ANNUAL DRI/McGRAW-HILL SURVEY OF INVESTMENT IN EMPLOYEE SAFETY AND HEALTH

U.S business will reinforce 1987's spending upswing as it ups the ante on employee safety and health (S&H) investment again this year. DRI/McGraw-Hill's latest capital spending survey reveals plans to increase S&H capital investment 12.1%, to $7.5 billion, in 1988 (Table I). Both last year's 14.8% surge and this year's double-digit gain imply renewed corporate commitment to S&H spending, which lapsed in 1986 after strong advances in 1983-85.

Chart 1
Safety and Health Spending
(Millions of dollars)



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Adjusted for inflation, safety and health investment remains strong. Using the survey respondents' expected capital goods inflation rate of 4.4% in 1988, real S&H spending would still rise more than 7.5%; using DRI's estimate of about 1%, real S&H investment would approach 11%.

Safety and health spending will outstrip the growth rate of overall capital spending, which the survey targets at 9.9% in current dollars. As a share of total capital spending, S&H investment rises from 1.7% in 1987 to 1.8% in 1988 (Table II).

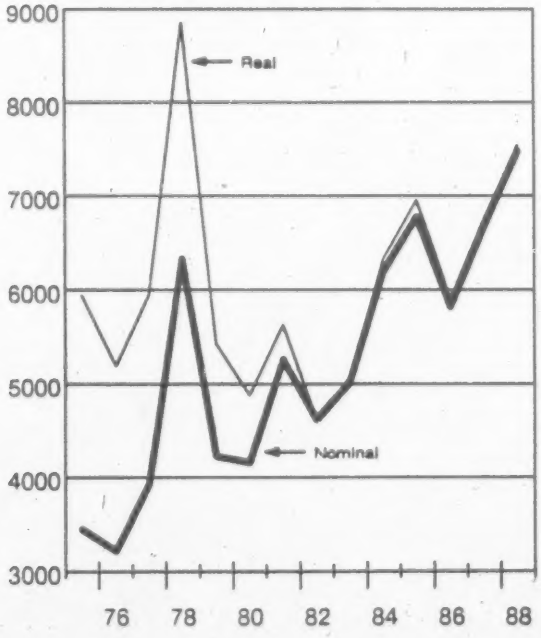
On the downside, survey respondents expressed plans to cut S&H spending nearly 10% in 1989, reducing its share of the total to 1.6%. These plans are too tentative to warrant much attention, however.

These are the key findings of the 16th Annual DRI/McGraw-Hill Survey of Investment in Employee Safety and Health. The survey was conducted in April and May and drew responses from 366 companies replying to a broader poll of capital spending plans. All dollar figures in the report were adjusted to represent S&H spending by all U.S. companies and reflect domestic investment only.

THE CUT AND MEND CYCLE

While the cut projected for 1989 budgets makes U.S. industry's longer-term commitment to safety and health slightly tenuous, the strong gains of 1987-88 more than offset the 1986 falloff of 14.1% (Table

Chart 2
Safety and Health Spending
(Millions of dollars)



III). Even if total spending this year achieves the record $7.5 billion planned, however, S&H investment has actually waned for most of the 1980s; the average annual growth rate was roughly 1% in 1979–87. Adjusted for inflation, that slips to a real decline of 3% per year.

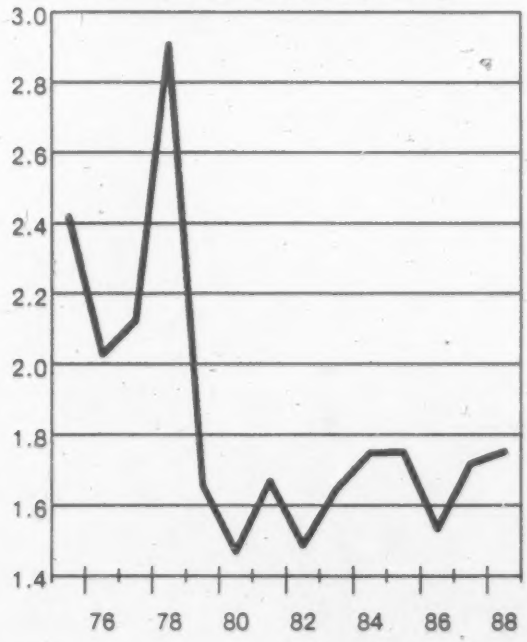
As a percent of capital budgets, employee safety–related spending averaged more than 2.5% from 1972 to 1978, peaking at 2.9% in 1978 (Table IV). The 1.8% share anticipated this year more closely mirrors the weaker 1.7% average recorded from 1979 to 1987. If the 1989 S&H cuts are implemented, the share would edge down to 1.6%.

SPENDING BY SECTOR

As befits the rejuvenated manufacturing sector, U.S. durable and nondurable goods manufacturers reported plans to boost S&H investment more than 27% in 1988. With total capital spending slated to rise 13.2%, the increase by manufacturers boosts the safety and health share to 2.7% in 1988, up from 2.4% in 1987. Durable manufacturers expressed the strongest commitment, led by the nonelectrical machinery, instrument, and fabricated metal industries.

Nondurable goods producers were close behind, pushed by large safety and health spending plans in the paper and textile industries. In fact, the 3% S&H share of total capital spending estimated by this sector

Chart 3
Safety and Health Spending as a Percent of Capital Spending



for 1988 (and 1989) rivals the record 3.2% achieved by nondurable manufacturers in 1983 and 1986. And it is well above the 2.1% trough of 1984.

In contrast, the nonmanufacturing sector estimates a safety and health investment cutback of 5% this year and a deep 26.5% gouge in 1989. Even so, nearly all of the decline can be traced to the huge trade and services group, which reports steep cuts in both years. The only other industry expecting S&H spending rollbacks in 1988 is gas utilities. Most other nonmanufacturers expect to grow at double-digit rates, with the sharpest gains reported by railroads, airlines, and mining companies.

Table I
Plans for Investment in Employee Safety & Health
(Millions of dollars)

Industry	Level			Percent Change	
	1987	1988	1989	1988	1989
Iron & Steel	58.7	62.8	76.3	7.1	21.4
Nonferrous Metals (a)	96.2	113.4	144.6	17.9	27.5
Electrical Machinery	364.4	382.2	235.7	4.9	-38.3
Non-Electrical Machinery	310.0	566.6	735.2	82.8	29.8
Autos, Trucks & Parts	24.5	30.9	16.1	26.3	-47.9
Aerospace	117.6	150.1	52.9	27.7	-64.7
Fabricated Metals	68.8	96.0	105.9	39.6	10.3
Instruments	17.9	25.5	23.9	42.8	-6.3
Stone, Clay & Glass	73.2	80.5	84.0	10.0	4.3
Other Durables	360.3	422.3	531.2	17.2	25.8
TOTAL DURABLES	1,491.4	1,930.3	2,005.7	29.4	3.9
Chemicals	968.5	1,107.9	1,290.8	14.4	16.5
Paper & Pulp	159.5	413.8	146.3	159.5	-64.6
Rubber & Plastic	56.9	59.9	60.9	5.3	1.7
Petroleum (a)	525.1	596.6	661.8	13.6	10.9
Food & Beverage	232.3	236.0	266.6	1.6	13.0
Textiles	2.8	7.1	10.4	152.5	47.7
Other Nondurables	117.7	165.1	126.3	40.3	-23.5
TOTAL NONDURABLES	2,062.6	2,586.4	2,563.1	25.4	-0.9
ALL MANUFACTURING	3,554.0	4,516.7	4,568.8	27.1	1.2
Mining	104.9	149.7	184.7	42.7	23.4
Railroads	46.0	74.1	80.0	61.2	8.0
Airlines (a)	65.5	93.7	96.0	43.1	2.4
Other Transportation	64.1	67.1	71.5	4.6	6.6
Electric Utilities	139.9	168.2	189.9	20.2	12.9
Gas Utilities	28.7	25.3	33.0	-11.7	30.1
Communications	322.7	355.0	366.5	10.0	3.3
Trade & Services	2,351.4	2,033.6	1,158.9	-13.5	-43.0
ALL NONMANUFACTURING	3,123.2	2,966.8	2,180.6	-5.0	-26.5
ALL BUSINESS	6,677.3	7,483.5	6,749.4	12.1	-9.8

a. DRI estimates.

Table II
Employee Safety and Health Investment as a Percent of Capital Spending

Industry	1987	1988	1989
Iron & Steel	1.3	1.1	1.4
Nonferrous Metals (a)	4.5	4.5	4.5
Electrical Machinery	2.4	2.2	1.5
Non-Electrical Machinery	2.3	3.8	5.6
Autos, Trucks & Parts	0.2	0.3	0.1
Aerospace	3.3	3.6	1.8
Fabricated Metals	1.7	2.2	2.4
Instruments	0.8	0.9	0.9
Stone, Clay & Glass	2.2	2.4	2.5
Other Durables	3.7	3.9	4.9
TOTAL DURABLES	2.1	2.5	2.7
Chemicals	5.9	5.7	6.3
Paper & Pulp	1.8	3.6	1.2
Rubber & Plastic	1.6	1.6	1.5
Petroleum (a)	3.1	3.1	3.1
Food & Beverage	2.1	1.8	2.0
Textiles	0.1	0.3	0.5
Other Nondurables	0.7	0.9	1.0
TOTAL NONDURABLES	2.8	3.0	3.0
ALL MANUFACTURING	2.4	2.7	2.9
Mining	0.9	1.1	1.3
Railroads	0.8	1.1	1.0
Airlines (a)	1.0	1.0	1.0
Other Transportation	1.0	0.9	1.0
Electric Utilities	0.4	0.6	0.7
Gas Utilities	0.2	0.2	0.2
Communications	1.0	1.0	1.0
Trade & Services	1.7	1.4	0.8
ALL NONMANUFACTURING	1.3	1.1	0.8
ALL BUSINESS	1.7	1.8	1.6

a. DRI estimates.

Table III
Historical Safety & Health Capital Spending
(Millions of dollars)

Industry	1972	1973	1974	1975	1976	1977	1978	1979
Iron & Steel	132	86	69	59	28	35	44	58
Nonferrous Metals	30	51	81	113	45	23	23	40
Electrical Machinery	68	73	76	80	105	106	130	158
Non-Electrical Machinery	97	154	164	112	103	152	237	193
Autos, Trucks & Parts	144	169	369	80	40	198	158	350
Aerospace	23	32	53	42	45	40	46	81
Fabricated Metals	19	33	44	29	31	113	85	103
Instruments	15	34	92	107	29	30	48	56
Stone, Clay & Glass	33	74	81	99	63	101	98	36
Other Durables	64	78	96	130	77	114	262	284
TOTAL DURABLES	625	784	1,125	851	566	912	1,131	1,359
Chemicals	71	83	130	228	258	228	272	324
Paper & Pulp	52	62	49	64	63	42	84	63
Rubber & Plastic	14	34	135	68	33	44	40	54
Petroleum	62	166	190	227	110	213	421	137
Food & Beverage	92	101	102	118	216	172	222	138
Textiles	84	58	61	49	39	94	88	110
Other Nondurables	42	21	43	52	64	163	135	234
TOTAL NONDURABLES	417	525	710	806	783	956	1,262	1,060
ALL MANUFACTURING	1,042	1,309	1,835	1,657	1,349	1,868	2,393	2,419
Mining	101	102	220	171	137	324	146	128
Railroads	40	44	73	78	272	47	145	132
Airlines	43	32	23	23	51	17	255	62
Electric Utilities	190	136	219	169	124	209	470	261
Gas Utilities	24	32	47	30	47	87	27	20
Communication & Other	514	578	418	366	446	455	539	334
Trade & Services	1,030	842	1,132	950	759	922	2,355	864
ALL NONMANUFACTURING	1,942	1,766	2,132	1,787	1,866	2,061	3,937	1,801
ALL BUSINESS	2,984	3,077	3,968	3,443	3,214	3,928	6,329	4,220

Table III
(Continued)

Industry	1980	1981	1982	1983	1984	1985	1986	1987
Iron & Steel	38	184	91	68	4	44	54	59
Nonferrous Metals	43	58	30	40	40	22	87	96
Electrical Machinery	166	148	187	320	219	375	244	364
Non-Electrical Machinery	377	96	94	648	724	227	298	310
Autos, Trucks & Parts	90	108	31	15	22	40	24	24
Aerospace	14	34	38	87	64	136	178	118
Fabricated Metals	40	123	52	59	52	240	189	69
Instruments	27	78	89	83	92	146	57	18
Stone, Clay & Glass	139	85	17	53	80	38	68	73
Other Durables	122	190	143	166	114	228	219	360
TOTAL DURABLES	1,056	1,104	772	1,539	1,411	1,494	1,418	1,491
Chemicals	419	655	418	492	490	634	863	969
Paper & Pulp	98	147	129	113	79	282	123	159
Rubber & Plastic	171	91	58	91	65	114	150	57
Petroleum	157	234	343	417	587	906	556	525
Food & Beverage	163	322	131	195	265	176	390	232
Textiles	121	111	61	96	21	66	69	3
Other Nondurables	135	107	391	624	53	163	188	118
TOTAL NONDURABLES	1,264	1,667	1,531	2,028	1,560	2,342	2,351	2,063
ALL MANUFACTURING	2,320	2,771	2,303	3,567	2,971	3,836	3,769	3,554
Mining	432	984	361	30	860	239	181	105
Railroads	149	119	53	63	136	668	320	46
Airlines	56	17	77	44	0	54	63	66
Electric Utilities	511	479	542	298	407	248	215	140
Gas Utilities	23	19	37	46	0	15	38	29
Communication & Other	361	452	155	604	100	358	349	387
Trade & Services	301	416	1,086	362	1,721	1,359	884	2,351
ALL NONMANUFACTURING	1,833	2,486	2,311	1,447	3,224	2,941	2,049	3,123
ALL BUSINESS	4,153	5,258	4,615	5,013	6,196	6,776	5,818	6,677

Table IV
Historical Safety & Health Capital Spending as a Percent of Capital Spending

Industry	1972	1973	1974	1975	1976	1977	1978	1979
Iron & Steel	12.3	6.9	3.5	1.9	0.9	1.2	1.7	1.8
Nonferrous Metals	3.1	4.2	4.6	6.6	3.2	1.8	1.6	2.4
Electrical Machinery	2.4	2.1	2.0	2.6	2.9	2.3	2.2	2.1
Non-Electrical Machinery	3.0	3.9	3.2	2.3	1.9	2.4	3.2	1.9
Autos, Trucks & Parts	4.8	4.4	8.6	2.4	1.1	3.4	2.2	4.2
Aerospace	3.4	4.0	4.4	3.5	4.4	3.5	2.6	3.0
Fabricated Metals	1.3	1.8	2.3	1.5	1.4	4.6	2.9	3.2
Instruments	3.1	5.3	11.2	13.5	3.7	3.2	4.4	3.9
Stone, Clay & Glass	2.5	4.7	4.9	5.9	3.3	4.4	3.1	0.9
Other Durables	2.0	1.9	2.3	3.5	1.7	2.3	4.4	4.5
TOTAL DURABLES	3.4	3.5	4.2	3.4	2.1	2.8	2.9	2.8
Chemicals	2.1	2.0	2.1	3.2	3.5	3.1	3.5	3.3
Paper & Pulp	3.6	3.1	1.7	2.2	2.1	1.2	2.2	1.2
Rubber & Plastic	1.4	2.2	8.4	5.7	2.4	2.5	1.7	2.2
Petroleum	1.3	3.6	2.7	2.5	1.1	1.8	3.2	0.9
Food & Beverage	2.8	2.7	2.4	2.7	4.0	3.0	3.4	1.9
Textiles	7.9	5.7	5.8	5.7	4.0	8.0	6.7	7.7
Other Nondurables	1.9	0.8	1.6	1.9	2.2	4.8	3.2	3.9
TOTAL NONDURABLES	2.4	2.7	2.8	2.8	2.5	2.8	3.2	2.2
ALL MANUFACTURING	2.9	3.1	3.5	3.1	2.3	2.8	3.0	2.5
Mining	3.5	3.1	4.8	2.8	1.8	3.3	1.3	1.0
Railroads	1.7	1.5	2.0	2.0	6.4	1.0	2.8	2.0
Airlines	2.2	1.7	1.3	1.5	4.5	0.8	8.2	1.5
Electric Utilities	1.4	0.9	1.3	1.0	0.8	0.9	1.8	0.9
Gas Utilities	0.9	1.1	1.5	0.9	1.3	1.9	0.5	0.3
Communication & Other	3.4	3.5	2.3	2.1	2.3	2.1	2.2	1.2
Trade & Services	3.5	2.4	2.9	2.4	1.7	1.8	3.7	1.2
ALL NONMANUFACTURING	2.9	2.3	2.4	2.0	1.9	1.8	2.8	1.1
ALL BUSINESS	2.9	2.6	2.8	2.4	2.0	2.1	2.9	1.7

Table IV
(Continued)

Industry	1980	1981	1982	1983	1984	1985	1986	1987
Iron & Steel	1.1	5.3	2.4	2.1	0.1	1.1	1.6	1.3
Nonferrous Metals	2.0	2.3	1.6	2.3	1.9	1.2	4.5	4.5
Electrical Machinery	1.7	1.4	1.7	2.8	1.5	2.4	1.7	2.4
Non-Electrical Machinery	3.3	0.7	0.7	4.8	4.7	1.4	2.2	2.3
Autos, Trucks & Parts	1.0	1.1	0.4	0.2	0.2	0.3	0.2	0.2
Aerospace	0.4	1.0	1.1	3.0	1.8	3.9	4.7	3.3
Fabricated Metals	1.2	3.4	1.7	2.1	1.5	6.7	4.7	1.7
Instruments	1.6	3.9	4.2	4.6	4.0	5.6	2.5	0.8
Stone, Clay & Glass	3.5	2.5	0.6	1.9	2.6	1.1	2.2	2.2
Other Durables	1.7	2.6	2.4	3.0	1.6	2.8	2.5	3.7
TOTAL DURABLES	1.9	1.8	1.4	2.9	2.1	2.0	2.1	2.1
Chemicals	3.6	5.0	3.3	3.8	3.2	3.9	5.1	5.9
Paper & Pulp	1.5	2.4	2.3	1.9	1.1	3.3	1.4	1.8
Rubber & Plastic	8.4	4.2	2.7	3.7	2.1	3.0	3.8	1.6
Petroleum	0.8	0.9	1.3	1.8	2.3	3.4	3.1	3.1
Food & Beverage	2.0	3.4	1.5	2.5	3.0	1.7	3.7	2.1
Textiles	7.9	6.7	4.2	6.2	1.1	3.7	4.2	0.1
Other Nondurables	1.8	1.3	4.7	6.7	0.5	1.3	1.4	0.7
TOTAL NONDURABLES	2.2	2.5	2.3	3.2	2.1	2.9	3.2	2.8
ALL MANUFACTURING	2.1	2.2	1.9	3.1	2.1	2.5	2.6	2.4
Mining	2.7	4.6	1.8	0.2	5.1	1.5	1.6	0.9
Railroads	2.1	1.9	1.0	1.3	2.0	9.4	4.8	0.8
Airlines	1.3	0.4	1.7	1.0	0.0	1.1	1.0	1.0
Electric Utilities	1.7	1.5	1.5	0.8	1.1	0.7	0.6	0.4
Gas Utilities	0.3	0.2	0.4	0.6	0.0	0.1	0.3	0.2
Communication & Other	1.2	1.4	0.5	2.1	0.3	0.9	0.9	1.0
Trade & Services	0.4	0.5	1.3	0.4	1.6	1.1	0.7	1.7
ALL NONMANUFACTURING	1.1	1.3	1.2	0.8	1.5	1.3	0.9	1.3
ALL BUSINESS	1.5	1.7	1.5	1.6	1.7	1.8	1.5	1.7